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SUBJECT: NEW MINISTER OF TRADE: "ECUADOR TO CONTINUE FTA  
NEGOTIATIONS"

1. Summary: In our first meeting new Ecuadorian Minister of Trade Oswaldo Molestina stated that Ecuador would continue to pursue free trade negotiations with the U.S. He said that, given that the negotiating team was fundamentally technical rather than political in nature, he intended to make no changes in the team for the time being. The same was true of the ministry as a whole, he said. "Of course, the government may have different views of Ecuadorian national interests, which may affect negotiating positions," he said. Molestina is leaning toward hosting the negotiating round in June, but has not yet made a final decision. End Summary.

2. Econcouns requested the meeting with Molestina in order to establish a relationship and gather initial impressions. After exchanging pleasantries, Molestina said he had always enjoyed good relations with the U.S. He was a good friend of one former ambassador and has an apartment in New York where his wife has family.

3. Molestina said the GOE will continue to negotiate an FTA, and that he has decided to make few or no changes in the Ecuadorian negotiating team. Of course, he said, the new government may have different views of Ecuadorian interests and thus may take different positions in the negotiations than the previous government did.

4. Econcouns took advantage of the very positive atmosphere to mention the need to work together on labor reform and resolution of commercial disputes, and particularly the Oxy problem. Molestina agreed, and said he had requested a report on the Oxy issue in order to bring himself up to speed.

5. As Econcouns waited outside the Minister's office, Ecuadorian Chief negotiator Cristian Espinosa and his close advisors came out of the office. They said Molestina had just told them they would continue in their positions. They seemed quite upbeat. Espinosa told USAID later in the day that he considered himself "on a trial basis" with the government. The government would be looking hard at whether it wanted to keep him on, but he would also be looking at whether it was worth staying, given the positions the GOE would take.

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Comment  
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6. We are not so sanguine. Molestina's statements to the press certainly raise concern. He is saying that Ecuador may wish to open issues which have already been closed in the negotiations, that Ecuador cannot allow subsidized U.S. products to compete with Ecuadorian products without tariff, that the U.S. will have to show more flexibility on IPR, that Ecuador may wish to delay negotiations or put them on hold, and that, in the final analysis, Ecuador will get ATPDEA renewal if it doesn't sign a FTA. Minister of Finance Rafael Correa, a determined enemy of the FTA, has announced that any FTA will be submitted to the people for a vote (an idea most people believe would kill the FTA).

7. Of course, Molestina's public stance may be nothing more than that. Further, he is new to the issues, and may change his positions as he becomes more familiar with them. Nonetheless, it is clear that the Palacio government is less committed to free trade than was the Gutierrez government. We are concerned that Ecuador will now adopt untenable positions in the negotiations and then be unable or unwilling to move back from them. Some are even expressing the opinion that that may be the plan -- to take impossible positions and then bl